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**UNITED STATES BANKRUPTCY COURT
NORTHERN DISTRICT OF CALIFORNIA
SAN FRANCISCO DIVISION**

In re:

PG&E CORPORATION,

- and -

**PACIFIC GAS AND ELECTRIC
COMPANY,**

Debtors.

- ☐ Affects PG&E Corporation
☐ Affects Pacific Gas and Electric
Company
☒ Affects both Debtors

** All papers shall be filed in the Lead
Case, No. 19-30088 (DM).*

Bankruptcy Case
No. 19-30088 (DM)

Chapter 11
(Lead Case)
(Jointly Administered)

**SUPPLEMENTAL DECLARATION OF
GENO ARMSTRONG IN SUPPORT OF
APPLICATION OF DEBTORS PURSUANT
TO 11 U.S.C. §§ 327(a) AND 328(a) AND FED.
R. BANKR. P. 2014(a) AND 2016 AMENDING
THE SCOPE OF THE RETENTION OF
KPMG LLP AS INFORMATION
TECHNOLOGY, RISK, AND LEGAL
SUPPORT CONSULTANTS TO THE
DEBTORS EFFECTIVE *NUNC PRO TUNC*
TO APRIL 8, 2019**

[No Hearing Date Requested]

1 I, Geno Armstrong, being duly sworn, deposes and says:

2 I am a principal at KPMG LLP (“KPMG”), a professional services firm (“KPMG”). I am duly
3 authorized to make this supplemental declaration (this “**First Supplemental Armstrong Declaration**”)
4 on behalf of KPMG and submit it (i) in support of the *Supplemental Application of Debtors Pursuant to*
5 *11 U.S.C. §§ 327(a) and 328(a) and Fed. R. Bankr. P. 2014(a) and 2016 Amending the Scope of the*
6 *Retention of KPMG LLP as Information Technology, Risk, and Legal Support Consultants to the*
7 *Debtors Nunc Pro Tunc to Petition Date* (the “**Supplemental Application**”); and (ii) in compliance with
8 the *Order Pursuant to 11 U.S.C. Sections 327(a) and 328(a) and Fed. R. Bankr. P. 2014(a) and 2016*
9 *for Authority to Retain and Employ KPMG LLP as Information Technology, Risk, and Legal Support*
10 *Consultants to the Debtors Nunc Pro Tunc to Petition Date* (the “**Initial KPMG Retention Order**”)
11 [Docket No. 2171].¹ Unless otherwise stated in this Declaration, I have personal knowledge of the facts
12 set forth herein. On May 21, 2019, the Debtors filed the *Application Pursuant to 11 U.S.C. §§ 327(a)*
13 *and 328(a), Fed. R. Bankr. P. 2014(a) and 2016 for Authority to Employ and Retain KPMG LLP as*
14 *Information Technology, Risk and Legal Support Consultants to the Debtors Nunc Pro Tunc to Petition*
15 *Date* [Docket No. 2171] (the “**KPMG Retention Application**”). Thereafter, on June 11, 2019, the
16 Bankruptcy Court entered an order approving the Retention Application on a final basis [Docket No.
17 2503] (the “**KPMG Retention Order**”). Pursuant to the KPMG Retention Order, the Debtors are
18 required to seek Bankruptcy Court approval to the extent they request KPMG to perform any service
19 other than those set forth therein.

20 This First Supplemental Armstrong Declaration is a supplement to the original declaration dated
21 May 21, 2019 [Docket No.2172] (the “**Original Armstrong Declaration**”) in connection with the
22 retention of KPMG as information technology, risk, and legal support consultants for PG&E Corporation
23 (“**PG&E Corp.**”) and Pacific Gas and Electric Company (the “**Utility**”), as debtors and debtors in
24 possession (collectively, “**PG&E**” or the “**Debtors**”) in the above-captioned chapter 11 cases (the
25 “**Chapter 11 Cases**”) to perform those services (the “**Supplemental Services**”) each as summarized in
26 the Supplemental Application upon the terms and conditions more specifically set forth in that certain
27

28 ¹ Capitalized terms used but not otherwise defined herein shall have the meanings ascribed to them in
the Supplemental Application.

1 Master Services Agreement dated as of January 17, 2017, together with the change order dated as of
2 November 20, 2018 (both attached as **Exhibit 1-A** to the Original Armstrong Declaration) and the
3 extension dated as of June 10, 2019 attached hereto as **Exhibit 1-I**, and nine distinct contracts and three
4 change orders to previously-approved contracts by and between the Debtors and KPMG, attached hereto
5 as **Exhibits 1-J** through **1-T** (the “**Supplemental MSA Contracts**”). I hereby incorporate by reference
6 the Original Armstrong Declaration as if its contents were set forth fully herein.

7 In an effort to ensure continued and uninterrupted provision to the Debtors of necessary services,
8 KPMG and the Debtors entered into agreements for several Supplemental MSA Contracts described in
9 greater detail below, recognizing that such agreements would ultimately need to be approved by the
10 Court upon supplemental application. KPMG will provide additional information technology, risk, and
11 consulting services to the Debtors including, without limitation, the following services as more
12 particularly described in the applicable designated agreements:

- 13 a) Continue to assist the Debtors with their migration from Siteminder to Ping
14 (information technology software platforms) (the “**IT Software Services – Phase
15 II**”) as described in **Exhibit 1-J** to the Supplemental Armstrong Declaration),
16 including a change order to extend services to the Debtors by 17 weeks (the “**IT
17 Software Services – Phase III**”) as described in **Exhibit 1-K** to the Supplemental
18 Armstrong Declaration);
- 19 b) Perform an analysis of the Quanta Service Inc. payment applications related to the
20 performance of construction management services, which have been submitted to
21 the Debtors (the “**Quanta Invoice Review**”, as described in **Exhibit 1-L** to the
22 Supplemental Armstrong Declaration);
- 23 c) Assist with the Debtors’ Endpoint Security Strategy Assessment and development
24 of a plan to implement changes to that strategy (the “**Endpoint Security Strategy
25 Assessment**”), as described in **Exhibit 1-M** to the Supplemental Armstrong
26 Declaration);
- 27 d) Provide the Debtors with staff members to support the Debtors’ personnel with
28 respect to their security initiatives (the “**Data Security Loan-Staff Services**”, as
described in **Exhibit 1-N** to the Supplemental Armstrong Declaration);
- e) Provide tax and accounting advice in response to inquiries from the Debtors (the
“**Tax and Accounting On-Call Services**”, as described in **Exhibit 1-O** to the
Supplemental Armstrong Declaration);
- f) Assist the Debtors’ Cybersecurity Risk and Strategy organization in performing
scanning and data protection, including providing on-premise structured data
repositories (the “**Data Security Services**”, as described in **Exhibit 1-P** to the
Supplemental Armstrong Declaration);

- g) Assist Debtors' Cybersecurity Risk and Strategy organization in performing data protection activities as they relate to CCPA compliance activities (the "**Data Security CCPA Support Staff**", as described in **Exhibit 1-Q** to the Supplemental Armstrong Declaration);
- h) Assist the Debtors in analyzing payments to certain authorities related to notices of violation for non-conformance with encroachment permit requirements (the "**Permitting Spend Analysis**" as described in the two agreements included as **Exhibit 1-S** to the Supplemental Armstrong Declaration);
- i) Continue to support Debtors' internal counsel in connection with Debtors' development of certain aspects of its transmission, distribution and substation inspection programs (the "**Asset Management Services – Change Order 1**" including a change order to extend the scope as described in **Exhibit 1-R** to the Supplemental Armstrong Declaration); and
- j) Continue to support the Debtors' internal counsel in connection with Debtors' development of certain aspects of its transmission, distribution and substation inspection programs, in relation to repair work (the "**Asset Management Services – Change Order 2**" including a change order to extend the scope as described in **Exhibit 1-T** to the Supplemental Armstrong Declaration).

In addition to the foregoing, KPMG, at the request of the Debtors, may provide additional services deemed appropriate and necessary to benefit the Debtors' estates. Should KPMG agree in its discretion to undertake any such matter, KPMG and the Debtors may enter into additional agreements and will seek separate retention orders with regard to any such additional agreements. As set forth in the Original Armstrong Declaration, KPMG intends to apply to the Court for allowance of compensation and reimbursement of expenses for the information technology, and risk support services performed for the Debtors, in accordance with the applicable provisions of the Bankruptcy Code, the Bankruptcy Rules, the Bankruptcy Local Rules, the Fee Guidelines, the *Order Pursuant to 11 U.S.C. §§ 331 and 105(a) and Fed. R. Bankr. P. 2016 for Authority to Establish Procedures for Interim Compensation and Reimbursement of Expenses of Professionals* [Docket No. 701], and any further Orders of the Court in these Chapter 11 Cases regarding professional compensation and reimbursement of expenses (the "**Orders**"), both in connection with this Application and any interim and final fee applications to be filed by KPMG in these Chapter 11 Cases, in accordance with the terms and conditions of the Supplemental MSA Contracts. Moreover, the Debtors are advised that KPMG intends to make a reasonable effort to comply with the requests of the United States Trustee ("the **U.S. Trustee**") for information and additional disclosures as set forth in the Fee Guidelines or any other applicable Orders.

KPMG's decision to advise and assist the Debtors in connection with these Chapter 11 Cases is subject to its ability to be retained in accordance with the terms set forth in the Supplemental MSA Contracts. Subject to this Court's approval, KPMG requests compensation, in accordance with its customary terms and conditions of employment, including the proposed compensation arrangements.

A. Fixed Fee Arrangements:

The Debtors and KPMG have agreed to fixed-fee compensation for the Data Security Services and Endpoint Security Strategy Assessment. Payment of the fixed fee is dependent on an iterative process by which stages of the project go through a formal review, including a detailed walkthrough, modifications (if required) and formal acceptance. In addition, the fee estimates are based on the assumption that the Debtors will provide the information and assistance necessary for KPMG to complete each assignment.

Services	Fixed-Fee Amount	Fees Paid Prepetition	Fees Sought Postpetition
Endpoint Security Strategy Assessment	\$172,500.00 ²	\$0	\$172,500
Data Security Services	\$2,705,013.50	\$0	\$2,705,013.50

B. Hourly Arrangements:

The hourly rates set forth below are KPMG's applicable hourly rates for the work of its professionals and staff members to be provided to the Debtors other than with respect to the fixed fee engagements described above. These hourly rates reflect KPMG's normal and customary billing practices for engagements of this complexity and magnitude. KPMG's hourly rates are subject to periodic adjustment and/or increase from time to time in accordance with KPMG's established billing practices and procedures. The Debtors have agreed to compensate KPMG for professional services rendered at its normal and customary hourly rates, subject to the reductions discussed below. To the extent such hourly rates are increased, KPMG will provide reasonable notice of any changes to its hourly rates to the Debtors and the U.S. Trustee.

² The fixed-fee amount is capped at \$150,000. Expenses are capped at \$22,500.

Billing Category	IT Software Services – Phase II/III ³	Quanta Invoice Review ⁴	Data Security Loan Staff ⁵	Tax and Accounting On-Call Services ⁶	Data Security CCPA Support Staff ⁷	Permitting Spend Analysis ⁸	Asset Management Services - Change Order I/II ⁹
Partner / Managing Director	N/A	\$500/\$475	N/A	\$850	N/A	\$625	\$500/\$475
Director	N/A	\$435	N/A	\$750	N/A	\$550	\$435
Manager	N/A	\$400	\$224	\$620	\$224	\$475	\$400
Senior Associate	\$225	\$325	N/A	\$525	N/A	\$425	\$325
Associate	N/A	\$275	N/A	N/A	\$135	\$325	\$275
Paraprofessional	N/A	\$235	N/A	N/A	N/A	N/A	N/A

Additionally, KPMG will invoice the Debtors for its reasonable out-of-pocket expenses charged during these Chapter 11 Cases, which include, among other things, telephone and other charges, mail and express mail charges, travel expenses, expenses for “working meals” and computerized research, applicable sales, use or value-added tax, as well as non-ordinary costs such as secretarial and other overtime.

³ The majority of fees to be charged in the IT Software Services engagement reflect a reduction of approximately 70% - 74% from KPMG’s normal and customary rates, depending on the types of services to be rendered. Fees are billed to a cap of \$635,085 (inclusive of a \$57,735 cap on expenses). A rate of \$225 per hour was included for Lead Specialist in the Original Armstrong Declaration, **Exhibit 1-E**.

⁴ The majority of fees to be charged for the Quanta Invoice Review reflect a reduction of approximately 39% - 56% from KPMG’s normal and customary rates, depending on the types of services to be rendered and the services are billed at a cap of \$207,900 (inclusive of a \$18,900 cap on expenses). The specific hourly rates do not appear in the Supplemental MSA Contract.

⁵ The majority of fees to be charged for the Data Security Loan Staff reflect a reduction of approximately 75% from KPMG’s normal and customary rates, depending on the types of services to be rendered and the services are billed at a cap of \$262,528.

⁶ The majority of fees to be charged for the Tax and Accounting On-Call Services reflect a reduction of approximately 24% - 36% from KPMG’s normal and customary rates, depending on the types of services to be rendered and the services are billed at a cap of \$90,000.

⁷ The majority of fees to be charged for the CCPA Loan Staff reflect a reduction of approximately 51%-75% from KPMG’s normal and customary rates, depending on the types of services to be rendered and the services are billed at a cap of \$219,584 (inclusive of a \$40,000 cap on expenses).

⁸ The majority of fees to be charged for the Permitting Spend Analysis reflect a reduction of approximately 10% - 44% from KPMG’s normal and customary rates. The services for the initial phase of the project are billed at a cap of \$335,019 (inclusive of a \$24,769 cap on expenses), and the services for the second phase of the project are billed at a cap of \$1,290,000 (inclusive of a \$90,000 cap on expenses).

⁹ The majority of fees to be charged for the Asset Management Services reflect a reduction of approximately 39% - 56% from KPMG’s normal and customary rates, depending on the types of services to be rendered and the services are billed at a cap of \$8,805,000.

1 It is not the practice of KPMG's professionals to keep detailed time records in one-tenth-of-an-
2 hour increments (*i.e.*, six minute increments) as customarily kept by attorneys who are compensated
3 subject to approval of the Bankruptcy Court. Instead, the customary practice of KPMG's professionals
4 is to keep reasonably detailed records of services rendered during the course of an engagement in half-
5 hour (0.5) increments. Thus, consistent with the KPMG Retention Application, KPMG requests that
6 this Court allow KPMG's professionals to provide the following in its monthly, interim, and final fee
7 applications: (a) a narrative summarizing each project category and the services rendered under each
8 project category; (b) as an exhibit to each monthly, interim, and final fee application that KPMG files in
9 these Chapter 11 Cases, a summary, by project category, of services rendered to the Debtors, which
10 identifies each professional rendering services, the number of hours expended by each professional, and
11 the amount of compensation requested with respect to the services rendered by each professional; and
12 (c) reasonably detailed records of time in half-hour (0.5) increments, describing the services rendered by
13 each professional and the amount of time spent on each date.

14 Given the nature of the services to be provided by KPMG, such billing format and associated
15 time details will be sufficient for the Debtors and other parties-in-interest to make informed judgments
16 regarding the nature and appropriateness of KPMG's services and fees.

17 I believe that these fee structures and compensation arrangements for each of the Supplemental
18 MSA Contracts are market-based and reasonable considering KPMG's vast knowledge and experience.

19 It is my understanding that the Debtors intend that the services of KPMG will complement and
20 not duplicate the services rendered by any other professional retained in these Chapter 11 Cases. KPMG
21 understands that the Debtors have retained and may retain additional professionals during the term of
22 the engagement and agrees to work cooperatively with such professionals to integrate any respective
23 work conducted by the professionals on behalf of the Debtors.

24 As part of the overall compensation payable to KPMG under the terms of the Supplemental MSA
25 Contracts, the Debtors have agreed to certain indemnification obligations. The terms of the
26 Supplemental MSA Contracts and the indemnification provisions therein were negotiated in good faith
27 and at arm's length.
28

1 To the best of my knowledge and based upon the results of the relationship search described
2 above and disclosed herein, KPMG neither holds nor represents an interest adverse to the Debtors'
3 estates that would impair KPMG's ability to objectively perform professional services for the Debtors,
4 in accordance with section 327 of the Bankruptcy Code. To the best of my knowledge, KPMG continues
5 to be a "disinterested person" as that term is defined in section 101(14) of the Bankruptcy Code, as
6 modified by section 1107(b) of the Bankruptcy Code, in that, KPMG:

- 7 a) Is not a creditor, an equity security holder, or an insider of the Debtors;
8 b) Is not and was not, within two years before the date of filing of these Chapter 11
9 Cases, a director, officer, or employee of the Debtors; and
10 c) Does not have an interest materially adverse to the interest of the Debtors' estates
11 or of any class of creditors or equity security holders, by reason of any direct or
indirect relationship to, connection with, or interest in, the Debtors or for any other
reason.

12 KPMG has not provided, and will not provide, any professional services to any of the creditors,
13 other parties-in-interest, or their respective attorneys and accountants with regard to any matter related
14 to these Chapter 11 Cases.

15 KPMG is the United States member firm of KPMG International, a Swiss cooperative of member
16 firms, each a separate legal entity, located worldwide. Only KPMG is being retained in these matters.
17 KPMG cannot assure that an engagement will not be accepted by a foreign member firm of KPMG
18 International for another party that may bear upon KPMG's engagement by the Debtors. However, to
19 the extent KPMG is aware of such engagement and believes such engagement may bear upon KPMG's
20 engagement by the Debtors, KPMG will file a supplemental declaration with the Bankruptcy Court.

21 From time to time, KPMG may use the services of certain professionals from the other member
22 firms of the KPMG network of independent firms and firms and entities controlled by, or under common
23 control with, one or more such member firms (collectively, "**KPMG Parties**") when necessary to the
24 performance of its professional duties and services to the Debtors. The use of such professionals allows
25 KPMG to maximize resources and minimize costs to the Debtors' estates. KPMG will pay such KPMG
26 Parties directly for the use of such professionals, and will include such amounts in its fee application at
27 KPMG cost without any mark-up or increase.
28

1 In addition, from time to time, KPMG may use independent contractors, such as software
2 providers. However, KPMG will not profit from the use of such persons.

3 As part of its practice, KPMG appears in many cases, proceedings, and transactions involving
4 many different law firms, financial consultants, and investment bankers in matters unrelated to these
5 bankruptcy cases. KPMG has not identified any material relationships or connections with any law firm,
6 financial consultant or investment banker involved in these Chapter 11 Cases that would cause it to be
7 adverse to the Debtors, the Debtors' estates, any creditor or any other party-in-interest. If and when
8 additional information becomes available with respect to any other relationships which may exist
9 between KPMG, foreign member firms of KPMG International, or their partners and professionals and
10 the Debtors, creditors, or any other Potential Parties-In-Interest which may affect these cases,
11 supplemental declarations describing such information shall be filed with this Court.

1 Pursuant to 28 U.S.C. § 1746, I declare under penalty of perjury that, to the best of my knowledge
2 and after reasonable inquiry, the foregoing is true and correct.

3 Dated November 27, 2019

4 /s/

5 
Geno Armstrong

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